Rating object	Rating incl. outlook / watch
Electricity Supply Board	A / stable
ESB Finance DAC	A / stable
Long Term Local Currency Senior unsecured issues of ESB Finance DAC	A / stable

The present update is, in the regulatory sense, a public unsolicited rating.

Date of inception / disclosure to rated entity / maximum validity:

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
Electricity Supply Board	04.02.2022	04.02.2022	Until withdrawal of the rating
ESB Finance DAC	04.02.2022	04.02.2022	Until withdrawal of the rating
Long Term Local Currency Senior unsecured issues of ESB Finance DAC	04.02.2022	04.02.2022	Until withdrawal of the rating

There occured no changes after the communication of the rating to the rating object.

Rating summary:

Creditreform Rating (CRA) has confirmed the unsolicited corporate issuer rating of Electricity Supply Board (hereafter also referred to as 'ESB' or 'the Company') and ESB Finance DAC, as well as the unsolicited corporate issue ratings of the long-term local currency senior unsecured notes issued by ESB Finance DAC at A with a stable outlook. In this press release we also refer to the detailed report dated 12 July 2021, which contains further material information with regard to ESB.

The current rating attests ESB a high level of creditworthiness, representing a low default risk. Our rating assessment reflects positive business development in the first six months of 2021 as well as a stable revenue base, around two-thirds of which stems from the Company's regulated activities. ESB is of strategic importance to the region and is supported by a solid regulatory framework on both sides of the Irish border (in ROI and NI). Given the fact that the Republic of Ireland owns 96% of the Company's shares, we assume that the Irish Government would be willing to provide ESB with sufficient financial support, e.g. in the event of a crisis, which we have taken into account as favorable in the rating result, based on our sub-rating methodology for "Government-Related Companies". The corporate issuer rating of ESB is one notch below the unsolicited sovereign rating of the Republic of Ireland (CRA: A+ / stable as of 13 October 2021). The difference to the sovereign rating is mainly explained by the remaining and future growing share of revenue from the Company's non-regulated business, as well as the absence of unconditional and irrevocable guarantees on the part of the owner.

From January to June 2021, the Group generated revenue of EUR 2,154 million, an increase of 16.4% year-on-year (H1 2020: EUR 1,850 million). EBITDA and EBIT for the first two quarters of 2021 also increased significantly to EUR 742 million (H1 2020: EUR 604 million) and EUR 445 million (H1 2020: EUR 72 million) respectively. The positive development of the Company compared to the previous year results mainly from the progressive easing of COVID-19 restrictions, improved demand for electricity, regulated network tariff changes and foreign exchange rate gains. However, apart from this, the ESB Group suffered an exceptional impairment charge of EUR 106 million in the first half of the year 2021, which arose as a result of a delay in a 448 MW offshore wind farm project off the east coast of Scotland, and the expectation of significant additional construction costs. This was partially offset by the EUR 82 million capital gain on the sale of the 47% stake in Tilbury Green Power in the UK. EAT rose to EUR 128 million (H1 2020: EUR -66 million), almost matching the pre-corona level (H1 2019: EUR 132 million).

As of 30 June 2021, the Group was able to further reduce its net financial debt by EUR 350 million to EUR 4,770 million (31 December 2020: EUR 5,120 million), largely due to strong cash generation. Due to reduced net debt as of 30 June 2021, gearing fell from 55% to 51% compared to the end of 2020.

ESB has good relationships with the banking sector and sufficient credit facilities that can be used either for investments or to cover ongoing liquidity needs. In 2020, a new sustainability-related revolving credit facility with a total volume of EUR 1.4 billion was concluded with 14 banks, extending until February 2026. The cost of this facility is linked to the achievement of specific CO_2 reduction targets under the Group's Brighter Future Strategy. The facility was undrawn as of 30 June 2021 and, together with the cash balance of EUR 553 million, represents the Group's main liquidity reserve.

With the rapid recovery in aggregate energy demand for electricity in 2021, coal and natural gas supply chains have been strained, driving up commodity prices in global markets. As Ireland's largest source of electricity generation comes from gas-fired generators, which account for roughly 50% of the total, Irish energy costs have also skyrocketed since spring 2021. The trend is expected to continue well into 2022. Additionally, tensions between the EU and Russia, which supplies much of the fuel, two temporarily closed nuclear power plants in France, lower European gas storage and weather conditions put upward pressure on prices. ESB's cancellation of contracts to build two open cycle gas turbines in North Wall Station to replace a decommissioned plant in Q4 2020, as well as three aero derivative gas turbines in the Dublin region in Q3 2021[1], could mean that the existing power supply will not meet the increased demand for electricity in Ireland. In this context, potential risks to ESB may arise from failure to comply both with legislation and with the terms of its DSO license obligations to develop the distribution system, as well as non-compliance with climate and other energy policy requirements. In addition, the continued increase in electricity demand, due in part to energy-intensive data centers, could affect the security of Ireland's power supply. All of these factors can have a negative impact on the company's net assets, financial position and results of operations, thus impacting further business development and the achievement of planned goals.

Against the backdrop of a strong financial profile, solid liquidity position, good access to capital markets and an established market position, we see good opportunities for ESB to successfully overcome strategic obstacles as well as those posed by market challenges, despite persistently intense competition and strict regulatory requirements.

CRA has confirmed the unsolicited corporate issuer rating of ESB Finance DAC at A with a stable outlook. Due to the close relationship between Electricity Supply Board (ESB) and ESB Finance DAC, we derive the unsolicited corporate issuer rating for ESB Finance DAC from the unsolicited corporate issuer rating of ESB, assigning it an equal rating (A / stable).

Based on the unsolicited corporate issuer rating ESB Finance DAC (A / stable), CRA has conducted unsolicited corporate issue ratings of notes (ISIN) issued by ESB Finance DAC. The rating objects in question are exclusively the long-term senior unsecured issues denominated in euro, which have been issued by ESB Finance DAC and which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the ECBs website. All the following issues (ISIN) are rated with A / stable.

Primary key rating drivers:

+ Monopoly status as sole owner of the transmission and distribution networks
+ Transparent regulatory framework with guaranteed revenues and predictable cash flows for two-thirds of the business
+ Stable ownership with Irish Government as the majority shareholder
+ Positive business development in the first six months of 2021
+ High degree of internal financing capability in connection with strong liquidity reserves
+ Good access to financial markets
+ Increasing commodity prices

- Exceptional impairment charge in H1 2021
- Project risks (delay, termination)
- Growing and increasingly complex network infrastructures and systems
- Increased electricity supply risk due to high energy demand from a recovering economy and the increase in the number of data centres in Ireland
- Increasingly strict regulatory and legal requirements

ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of ESB, we have not identified any ESG factor with significant influence.

We view ESB's Brighter Future Strategy, which is in line with the Irish Government's Climate Action Plan, as favorable. The government's program has committed to an annual average reduction of 70% in total greenhouse gas emissions from 2021 to 2030, equivalent to a 51% reduction. Net zero emissions are to be achieved by 2050. As a result of this Action Plan, we expect increasing investments at ESB to achieve the national goals of decarbonization of electricity, expansion of smart grids and electric heat and transport, with long-term adequate compensation induced by the regulatory framework.

By virtue of the closure of its peat-fired power stations, ESB's CO_2 intensity fell sharply from 406 g/kWh to 378 g/kWh in 2020 compared to 2019. This corresponds to a reduction of 44% compared to 2005. By 2030, the CO_2 intensity is to be reduced to 200 g/kWh. A total of 4,657 MW of renewable energy was able to be connected to the grid by the end of 2020, with 2,464 MW connected at the distribution level and 2,193 MW at the transmission level. Additionally, in the first quarter of 2021, an ESB Networks internal environmental strategy 2021-2025 was introduced, which is

[1] ESB Press Statement: 2022/2023 T-4 Capacity Auction

in line with that in the ESB Networks strategy 2020 - 2030. With this strategy, the company intends to become one of the most ecologically advanced utility companies in Europe.

We believe that ESB is well-positioned to address the challenges associated with these objectives. Moreover, we think that ESB will play a central role in Irish climate and transport policy in the future, and thus see the energy transition as a potential key growth driver for the Company's performance in the long term. In this context, the business model is to be assessed as future-oriented.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here.

Rating scenarios:

Please note: The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

Best-case scenario: A

In the best-case scenario, we assume ESB's business development to be stable to marginally positive over the year. Despite the special charges, high market requirements and increased investments, this should be realistic based on the Company's established market positioning, without breaking the Group's stable balance sheet ratios. In the light of the close relationship between ESB and the Irish Government, the rating reflects the sovereign rating of the Republic of Ireland, as we also assume a stable sovereign rating for the Republic of Ireland.

Worst-case scenario: A

In the worst-case scenario for the year, we do not see any deterioration in ESB's rating, as we believe that any possible operational weakness or higher-than-expected financial requirements can be offset based on the Company's own balance sheet and financial reserves.

Analysts / Person approving (PAC):

Name	**Function**	**Email address**
Natallia Berthold	Lead analyst	N.Berthold@creditreform-rating.de
Sabrina Mascher de Lima	Analyst	S.Mascher@creditreform-rating.de
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Initial rating:

Rating object	**Event**	**Rating created**	**Publication date**	**Monitoring until**	**Result**
Corporate Issuer Rating of Electricity Supply Board	Initialrating	01.10.2018	31.10.2018	22.12.2020	A / stable
Corporate Issuer Rating of ESB Finance DAC	Initialrating	01.10.2018	31.10.2018	22.12.2020	A / stable
LT LC Senior Unsecured Issues issued by ESB Finance DAC	Initialrating	01.10.2018	31.10.2018	22.12.2020	A / stable

Status of solicitation and information basis:

The present rating is, in the regulatory sense, a public **unsolicited** rating. The rating object participated in the creation of the rating as follows:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

Rating methodology / Version / Date of application:

Rating methodology	Version number	Date
Corporate Ratings	2.3	29.05.2019
Government-related Companies	1.0	19.04.2017
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

Regulatory requirements:

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating[2] was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

Conflicts of interest

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report

2. Website

3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating

2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

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[2] In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website.

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

Disclaimer

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct, which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

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